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Carlos Álvarez-Nogal and Christophe Chamley

Abstract

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Keywords: debt funding, sovereign loan defaults, financial crises, commercial credit markets, war of attrition.

JEL Classification: N23, N43, H63, F34.

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Philip II against the Cortes and the credit freeze of 1575-1577

Carlos Álvarez-Nogal¹ and Christophe Chamley²

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Numerous archival documents show how the 1575-1577 payment stop on the contracts with Genoese bankers (*asientos*) induced a freeze of the domestic credit market through the bankers' intermediation for *asientos* and credit linkages. Commercial fairs stopped, banks failed and trade suffered while the King granted legal protection to the Genoese bankers. The evidence strikingly confirms that the strategy of Philip II was not directed against the bankers but against the cities that were represented in the *Cortes*. He forced them to increase their fiscal commitment that funded the domestic debt (*juros*) into which *asientos* could be converted. The payment stop lasted until the cities agreed to the doubling of their commitment.

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1. INTRODUCTION

In September 1575, Philip II stopped all due payments on his contracts with Genoese bankers, the *asientos*. That action triggered a financial and commercial crisis that turned out to be the most severe of his reign: for more than two years, it induced a near paralysis of the private credit markets in Castile and the stop of the main commercial fairs in Medina del Campo. Contrary to the traditional view, Philip II did not take this action against the bankers but against the main cities of Castile that were represented in the *Cortes*.

Why should a stop of payments to the Genoese be caused by a conflict with the *Cortes*? In the political and fiscal context of Castile under Philip II, the *Cortes* controlled the "ordinary revenues," which provided the stable basis for the funding of the long-term domestic public debt, the *juros*. We showed in previous studies that each of the three payments stops on *asientos* by Philip II (1557-60, 1575-7, 1596-7) occurred when the level of ordinary revenues had become insufficient for the funding of more *juros*³. In this paper, we focus on the main crisis of 1575-77 and we bring new evidence.

Our political economy interpretation of the crisis differs from the previous studies on the financial crises of Philip II. None of them refers to the evidence that we present here⁴. They all focus on the interactions between the Crown and the bankers and neglect two central points which are related. First, the cities imposed a de facto ceiling on the *juros* through their tax contributions and the increase of these contributions was politically costly for the Crown. Second, a large part of the *asientos* was financed by the Genoese bankers through financial intermediation between savers in Castile and loans to the Crown. This financial intermediation provided Philip II with a leverage against the cities which opposed higher taxes toward foreign military ventures. The payment

³ Álvarez Nogal and Chamley (2013) and (2014, Figure 2). See previous works about *asientos* and payments stops in Álvarez Nogal (2000, 2003 and 2008).

⁴ Lovett (1980). Lovett makes many perceptive remarks but he worked more in the Instituto Valencia de Don Juan than in the archives of Simancas. He concludes: "the bankruptcy of 1575 took place because the bankers refused to advance any more money, and the king, in desperation, resumed for his own use the revenues assigned to pay royal debt." For Conklin, the bankruptcies were set by the bankers when the uncollateralized *asientos* reached a level equal to the penalty that the bankers could impose on the Crown. Conklin (1998). For Drelichman and Voth, the 1575 crisis was triggered by a liquidity crisis. Drelichman and Voth (2010) and Drelichman and Voth (2011). For an evaluation of the last study, see Álvarez Nogal and Chamley (2015).

stop to the bankers trickled down the pyramid of credit to their Castilian depositors. The severe impact on credit and trade led the cities to capitulate, eventually. After resisting for more than two years, the cities accepted and voted in the *Cortes* a doubling of their tax contributions upon which Philip II immediately removed the stop of payments to the bankers, on terms that had been agreed upon nine months before.

The crisis of 1575-77 throws light on the political situation of Castile. As in other parts of Europe at the time⁵, the regime was not autocratic in fiscal affairs and therefore it was not autocratic either in political matters that were internal to Castile⁶. The central government did not have an administration to collect revenues. That task was delegated to the cities, the tax farmers and the *Casa de la Contratación* in Seville that handled the revenues from the precious metals.

The *Cortes* represented the 18 main cities of Castile and their surrounding regions. They pledged by contract of about six years a fixed contribution (*encabezamiento*) to the Crown. The collection of these revenues was left to the management of the cities. *Juros* were serviced by earmarked revenues, as in most countries before 1800, including England in the 18th century. The *juros* that were serviced by the contribution of a particular city had a first claim on that contribution. Hence, cities kept control of the revenues for the service of their *juros* (which could nevertheless be traded throughout the realm) and these *juros* were the safest of the government bonds, with the lowest interest rate. Other *juros* were written on the revenues from tax farms or from the silver tax but they were not of the same quality and commanded a higher rate because these revenues were under the control of the central government and were more erratic⁷.

For the Crown, the delegation of the tax collection to the cities saved on administration costs and yielded a lower cost of the *juros* that were issued on cities. However, the fixed contribution by the cities generated a de facto ceiling on the service these *juros*, and because the interest rate did not change much, on their stock. As the level of the debt

⁵ Dincecco (2009). Grafe (2012), Chapter one.

⁶ This central issue has been highlighted by Jago (1981, 1985), and by the illuminating book of Fortea-Pérez (1990). For anyone not familiar with the context, the short review of Fortea-Pérez in Jago (1991) is a must. These works imply that the fiscal policy of Philip II cannot be analyzed as that of a modern centralized state.

⁷ Ulloa (1977). Álvarez Nogal and Chamley (2014).

rose with the economy and military expenditures, the contractual obligations of the cities had to be raised, eventually. At such times, a crisis took place.

In the early seventies, the attempts of Philip II to increase other taxes, (e.g., on flour), failed because of the opposition of the cities. Since an increase of the *encabezamiento* was long overdue, the cities probably would have accepted a moderate increase. But Philip II had decided on a course that would provide him with much more fiscal independence: in 1574, he declared a tripling of the *encabezamiento*. Cities and merchants resisted against the tax farmers who had to be sent to collect revenues that did not reach their target level. In any case, the new setting could not support a public debt under the same terms as with an agreement in the *Cortes*. When Philip II realized that this policy could yield a permanent solution, he turned to his financial weapon and stopped the payments on *asientos*, which led to the credit crisis. Eventually, the cities could not bear the economic cost and they demanded that the Crown should come to an agreement with the bankers: they accepted a doubling of their contribution.

In the next section, we explain that although Philip II may have pretended that he did not understand much in financial affairs, he actually had become well versed in the workings of the credit market when he was the regent of Castile in charge of sending funds to his father, Charles V. He was familiar with the role of the bankers in credit markets and with the financial function of the commercial fairs at Medina del Campo. He knew how to use the credit markets as a weapon for his political goals: he had used it when he quarreled with the Pope in 1556.

In Section 3, we analyze the relation between the activities of the Genoese bankers, the credit markets and the commercial fairs of Castile. We emphasize that Castilian residents had a large stake in the *asientos* through the intermediation of Genoese bankers and the chains of credit. We then show that the commercial fairs of Medina del Campo coordinated both commercial and financial trade. They acted a contingent clock for many financial contracts (both private and public, including *asientos*). Letters of exchange were an essential vehicle for rolling over trade credit⁸. The commercial fairs

⁸ The rolling over of short-term bills would become the dominant form of the public debt in 17th century Netherlands, as shown by Gelderblom and Jonker (2011) and Gelderblom and Jonker (2011).

needed the credit market and the credit market needed the commercial fairs. We provide and use a new documentation on the schedule of the fairs.

In Section 4, we analyze the policies of Philip II just before the *Decreto* of September 1575 and the reasons for the suspension of payments.

Section 5 shows how the *Decreto* initiated a process that led to the freeze of the credit market in Castile, the cancellation of the commercial fairs, and the reduction of economic activity. The most recent world-wide financial crisis has brought considerable information on linkages in the credit markets and on the interactions between these markets and the markets for goods. A similar revelation of information has been left by the 1575-7 crisis in the archives that provides abundant support for our political economy interpretation of the crisis. The petitions to the Crown reveal that Philip II, consistent with his policy, far from punishing the bankers as the cities demanded, provided them instead with a special protection against legal claims of their creditors while allowing them to pursue their debtors. From some of the consequences of the payment stop. In particular, as the crisis affected all credit, bankers could not collect some of their own loans to residents of Castile. We document that the Genoese bankers benefited from a preferential legal treatment by the government against their own creditors and in their collection of private debts.

Section 6 is devoted to the end of the crisis. Our new material comes from two archives: Archivo General of Simancas, and Archivo Valencia de don Juan in Madrid⁹.

2. THE PREVIOUS EXPERIENCE OF PHILIP II WITH FINANCIAL MARKETS

Philip II was called the "Prudent King" as he thought out the issues and kept the cards close to his chest. It was an important part of his strategy not to reveal all his thinking and to pretend not to understand finance¹⁰. However, before he became king he had spent much time in understanding the credit markets and their contribution to the finances of the Crown. He had been the regent of Spain since age 16, in 1543. One of

⁹ We have translated a number of documents in the paper.

¹⁰ Parker (2010), pp. 179-180.

his main tasks was the provision of funds for the war of his father, Charles V, to whom he wrote in 1553:

“the main foundation on which the war can be sustained is money and credit and without those, one cannot do anything.”¹¹

The young Prince of Castile endeavored to understand the fiscal and financial system and during the 1550s, he kept his father informed about his activities in that task and about the problems that he encountered.

On 6 November 1551, Prince Philip reinforced previous orders of Charles V on a interest cap¹² by the prohibition of any interest charge for the letters of exchange within Castile, and by other policy measures¹³. The policy aimed at a lower interest for all loans but, unsurprisingly, it had the opposite impact: the credit market contracted and interest rates, including those on the Crown's short-term debt, rose and in some cases tripled, from 9-10% to 31%. On 7 October 1552, Philip explained to his father that merchant-bankers in Castile had to take loans from foreign lenders with whom they had no previous association, at a higher interest, to the benefit of the foreigners¹⁴.

Between 1552 and 1554, Philip II was seeking a solution to the issue. He consulted merchant-bankers like Rodrigo de Dueñas, whom he placed as finance counselor, and Juan Delgadillo who was agent of change in Burgos¹⁵. Shortly before leaving for England to marry Mary Tudor, he was presented with a long study on the markets for commercial credit by Bernardino de Mendoza and Francisco de Almaguer, two main officials in the office that controlled the royal finances.

Philip II developed a network of officials (*factores*) with whom he had close relations, and who enabled him to bypass some bankers and get better credit terms. In 1556, he put in place Fernán López del Campo for Spain, Juan López Gallo for the Netherlands

¹¹ Carlos Morales (2003).

¹² In 1534, Charles V, prodded by the city delegates in the *Cortes* who had complained about the interest rates of the foreign bankers, had put an interest cap of 10% on the credit market in Castile. Ibid., pp. 282 and 288.

¹³ Aguilera-Barchet (1988). On 28 September 1552, a decree prohibited letter of exchange between Lyon and Castile, in order to favor the letter between Castile and Besançon, which was in the territories of the Crown.

¹⁴ Carlos Morales (2003), pp. 288-289. Appendix, Document 1.

¹⁵ Ibid., pp. 291-292.

and Silvestre Cattaneo for Italy¹⁶. López del Campo, in a report to the king, blamed the *pragmatica* of 1551 for the reduction in the number of traders at the fair of Medina del Campo from about 200 to 20, and in the volume of trade from 4 or 5 million ducats to half a million¹⁷. He recommended to reestablish the exchanges between Seville and the fairs in Castile and to allow credit between fairs, albeit with a maximum rate of 12 percent. Following his advice, the regent of Castile (as Philip II was in Flanders at the time) promulgated another *pragmatica* on 5 March 1557, that restored the freedom of the letters of exchange and relaxed some of the 1551 restrictions.

From his experience with the credit market, Philip II knew how to wield financial weapons to achieve his political objectives. In 1556, at the beginning of his reign when asserting his power was critical, he entered into a dispute with the Pope that turned into a test exercise for the later *Decreto*. Philip II held Paul IV in the pincers of the military and the financial arms. The army of Duke of Alba had come from Naples to besiege Rome. The Pope had asked, vainly, for help from Henry II, king of France. To take the city was risky when the sack of 1527 by the troops of his father had not been forgotten. Philip II forbade letters of exchange between Castile and Rome and ordered that all the citizens of Castile, many of them busy in financial affairs, should immediately leave the city¹⁸. The policy disturbed the transfers of ecclesiastical revenues from Castile, an important source of revenues, and the credit market of the papal territories. The Pope, unable to sustain high military expenditures, signed a peace treaty with Philip II on September 12, 1557¹⁹.

3. CREDIT MARKETS AND FINANCIAL POLICY: ASIENTOS AND FAIRS

Asientos were loan and transfer contracts signed between the Crown and a banker, or a relatively small group of bankers. Under Philip II, most of the bankers came from Genoa. They were well placed at the beginning of the “Spanish Road” to the Netherlands²⁰ but they were much more than “foreign bankers”: they played the

¹⁶ Hernández Esteve (2010), pp. 32-33.

¹⁷ Ibid., p. 72.

¹⁸ Carlos Morales (2003). Archivo General de Simancas [hereafter AGS], Estado, leg. 121. Letter from the regent doña Juana to Philip II, 15/01/1557.

¹⁹ Hernández Esteve (2010), pp. 50-51.

²⁰ Parker (1972).

essential role as the period's "moneyed men", that is, the group that Dickson (1967) would describe as indispensable for the functioning of the capital market in England, 150 years later. Genoese bankers were involved in many aspects of the credit markets in Castile. Some of them were very close to Philip II and participated in meetings of the Council of Finance²¹. Then as now, the main task of bankers was not to supply their own funds but to connect borrowers and suppliers of funds. A central step in our argument is that the *asientos* were, for a large part, financed by the financial intermediation of Genoese bankers inside of Castile.

In a credit contract, the lender provided funds ("*dar a cambio*") to the borrower who took the liability for future repayment ("*tomar a cambio*"). A standard form of credit was the letter of credit that transferred money from one place to another, at a different time. The promise to deliver cash at another place could be rolled over back to the initial place. Short-term credit ("*traer a cambio*") could be achieved by means of letters of exchange between different fairs or different places. The price differences performed like an interest that avoided usury laws. Hence, the circulation of credit that was the counterpart of trade in goods provided a natural setting for purely financial transactions.

3.1 Asientos and credit markets

We have examined all the *asiento* contracts for the years 1570-75,²² which include most if not all the *asientos* that were affected by the suspension of payments of 1575. In these contracts, one encounters three types of clauses that attest to the interactions between *asientos* and credit markets. First, all the *asientos* in that period include a license that authorizes the banker to collect interests in the credit markets as required for the business of the *asiento* and for this business. The license exempts the banker and his counterparts from the laws of Castile that could constrain interest charges.

Second, many contracts mention explicitly that the funds for the loan are to be raised in the credit market, with the expression "a cambio" that used at the time. In 1570, 88% of the volume of the *asientos* included such a clause "tomar a cambio". For some

²¹ Carlos Morales (2003), pp. 291-292.

²² AGS, Contadurías Generales [hereafter CCGG], leg. 85 y 86.

contracts, called *factorias*, all the funds were raised in the credit market. The interest rate on the *asiento* was left open to be determined according to the market conditions.

For example, the *asiento* that Lorenzo Spinola signed on February 1, 1572 for the delivery of 120,000 ducats in Madrid (toward the construction of the monastery of San Lorenzo del Escorial) stated the sources of revenues for the repayment of the principal but it did not and could not provide specific dates as these payments came from the fleet. The Crown provided some funds in advance and for the rest, Lorenzo Spinola had to present his bill for the cost of borrowing in the credit market"²³. The contract included the license for the free usage of letters of exchange at the market rate and it recognized that the interest payments on the loan would be adjusted to those of the market during the time of the loan operations²⁴.

The third type of clause is a license for the banker to "anticipate", that is to discount in the credit market, the payment orders for his reimbursement, called *libranzas*. For the year 1570, 48% of the volume of *asientos* allowed the banker to sell at a discount the *libranzas*. By selling early the *libranzas*, the banker could transfer the debt and the risk of the *asiento* to the buyer of the discounted *libranza*²⁵.

On 22 December 1574, eight months before the *Decreto*, Pablo de Grimaldo signed an *asiento* to deliver in Madrid the very large amount of 829,925 ducats²⁶ in cash in three installments (1574, 1575 and 1576)²⁷. The contract granted him the fixed rate of 16 percent as compensation for the cost of interest in the credit market. The total of these payments was capped ("*a buena cuenta*") at 1,615,741 ducats which corresponds to the principal and an interest rate of 16 percent for seven years. It is likely that neither party

²³ AGS, CCGG, leg. 85. *Asiento* with Lorenzo Spínola, 1 February 1572.

²⁴ A standard example is: "during the time of the loan until its repayment, the license to take and give freely exchanges at the prices that they would agree upon from one fair to another". AGS, CCGG, leg. 85, *asiento* with Lorenzo Spinola, 1/02/1572. Another example is the following: "and for the cost they suffer in financing these through the carrying of the exchange ("*traer a cambio*") on their own account (...), interests with those that run in the market from now and for the length of time that we receive this service". AGS, CCGG, leg. 85-1. *Asiento* with Benito Salvago and Camilo Çibo, 30/01/1570.

²⁵ Ruiz Martín (1987), p. 292. Hernández Esteve (2010), p. 71.

²⁶ The amount is much larger than other *asientos* in 1575: the total amount of *asientos* in 1575, a year of high activity, was 5.4 million ducats.

²⁷ AGS, CCGG, leg. 86. *Asiento* with Pablo de Grimaldo, 22/12/1574. Appendix, Document 2. Since letters of exchange between *ferias* implied a high cost, relative to other forms of credit, the Crown was entitled to make early payments.

intended, at the time of the signing, to use the maximum maturity of seven years of the contract. The *asiento* specified that the banker could cash early ("*anticipar y pagar adelantadamente*") the *libranzas* that he received, by discounting them in the credit markets.

The three clauses that have been described provide *ex ante* evidence about the tight relations between *asientos* and credit markets. We will see more evidence, *ex post*, when creditors to the bankers complained after the suspension of payment.

3.2 Commercial fairs as a clock for financial contracts

Today, financial markets operate continuously and the overnight credit market is huge. At the time of Philip II, markets were thin and slow. The rolling over of loans through letters of credit was paced by commercial fairs that were widely spaced in time. The main fairs (*ferias*) of 16th Castile took place in Medina del Campo, at the intersection of a north-west axis and of the road between Toledo and Burgos²⁸. The position was central between the main cities of the Northern *Meseta* of Castile that had benefited from wool exports and most of them part of the *Cortes* (Valladolid, Zamora, Avila, Salamanca, Segovia). Merchants came from the main cities of Castile, from Flanders, France and Italy to what had become one of the most important markets of Europe. As in other countries, the fairs of Medina del Campo had been created in the 15th century²⁹. They received the continuous support of the kings and were granted the title of "General Fairs of the Realm" in 1491. Twice a year, around in May and October, they also acted as a hub for smaller nearby fairs that took place just before the main one³⁰.

The concentration of commercial transactions had its counterpart in financial transactions. Each fair had a banker who specialized as a clearinghouse for letters of exchange and payment orders that connected the fairs with the main cities of Castile. As Luis Saravia de la Calle³¹ wrote in 1544, "they go from fair to fair and follow the court

²⁸ Ruiz Martín (2000), p. 278.

²⁹ We cannot reference here the vast literature on commercial fairs in Europe, in particular the Champagne fairs that linked the economies of the north and the south of Europe in a yearly cycle of six fairs from the 12th century on.

³⁰ Ruiz Martín (1987), p. 291.

³¹ A theologian and economist in Castile, author of *Instrucción de mercaderes* (1544).

of the king from place to place with their table, boxes and books"³². The banker of a fair was committed by written mandate to follow the request of his contacts³³. This function was recognized explicitly in the writing of some *asientos*: in June of 1575, the *asiento* of 15,490 ducats that was signed with Esteban Lercaro in the fair of Medina, which was taking place at that time, acknowledges a commission of 0.5 percent to the banker of the fair³⁴. The bankers of the fairs were also linked with several commercial banks in Madrid³⁵ and with Genoese bankers, including many of the most important ones such as Nicolao de Grimaldo³⁶.

The fairs provided focal points for payment orders: credit contracts were often contingent on a particular fair. For example, an *asiento* in March 1570 states that

"... Joan de Curiel promises and is committed to give and pay to the person of the people whom we have sent, and in cash the afore mentioned 100,000 ducats ... in the payments of the feria of May of the previous year in 1569, that is currently taking place"³⁷

In the *asiento* that was signed in 1566 by Nicolao de Grimaldo and Lorenzo Spínola for the delivery of 100,000 ducats in gold in Italy, the clock of the fairs is acknowledged by its imperfection:

"and what will be paid in ferias should be calculated according to the actual date of payment, because Nicolao de Grimaldo and Lorenzo Spinola did not want to accept specified dates in the contracts as long delays could have occurred in these fairs"³⁸

Table 1 presents data on all the *asientos* that were signed in the years 1570-75. The total amounts for each year, converted in ducats and the number of *asientos* are in Column 2. Column 3 reports the fraction of the amounts of disbursements to the Crown that were contingent on a fair in Castile. The next three columns present data on the distribution

³² Colmeiro (1863 (Reimpresión 1988)), t. II, p. 303-304, 501.

³³ Ruiz Martín (1970), p. 37.

³⁴ The expression used in the contract was: "librados en banco con más cinco al millar por el contado, sin que en ello aya falta ni dilación alguna". AGS, CJH, leg. 151. Copy of *asiento* with Esteban Lercaro, San Lorenzo del Escorial, 14/06/1575. This sentence is repeated in many other *asientos*.

³⁵ For example, the association "Gonzalo de Salazar y Juan de Carmona", and "Juan Luis Vitoria y Antonio Suárez Vitoria". Ruiz Martín (1970), p. 40.

³⁶ Nicolao de Grimaldo came to the fair of Medina del Campo in 1575, and delegated his business to his grandson, Juan Bautista Doria, when he left for Madrid. AGS, CJH, leg. 154. Memorandum, 1576.

³⁷ AGS, CCGG, leg. 85. *Asiento*, 2/03/1570. The document incidentally shows that the fair is "currently held" with a delay of 7 months.

³⁸ AGS, Consejo y Juntas de Hacienda [hereafter CJH], leg. 80. Copy of the *asiento* with Nicolao de Grimaldo y Lorenzo Spinola, no date (probably 1566). Appendix, Document 3.

between the fairs of Medina del Campo, Madrid and the rest of Castile. In the last column, which is the rest, most disbursements were in Flanders.

In addition to the business of the *asientos*, the fairs acted for the Crown as financial center for other fund raisings, for some sales of the *juros*, and for the trade of *libranzas*. Hence, orderly fairs were essential for the management of the public debt and its timely payments. Also, the running of the fairs depended on the timely payments of the loans to the Crown.

Table 1: place of *asiento* disbursements to the Crown (see text)

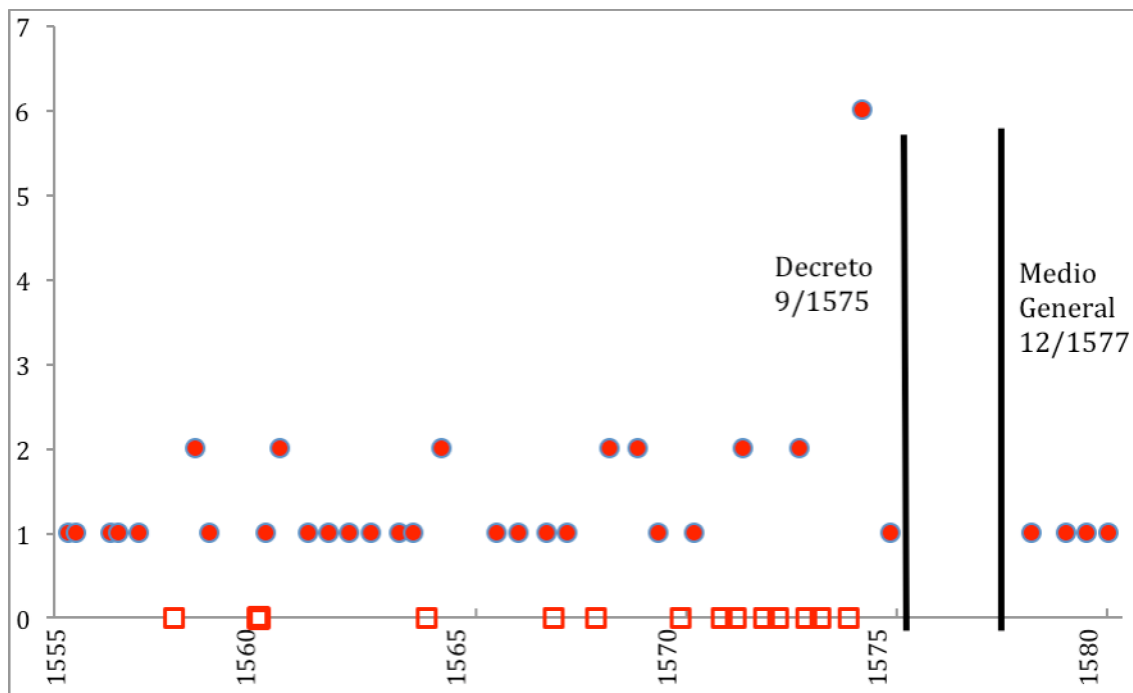
1	2	3	4	5	6	7
Year	Total ducats (number)	Fraction Castile	Fairs of Medina	Madrid	Other parts of Spain	Fraction away from Castile
1570	1992 (15)	85	79	0	6	15
1571	3590 (19)	100	64	11	25	0
1572	6131 (33)	79	45	17	17	21
1573	2974 (16)	80	73	4	3	20
1574	6137 (27)	54	27	20	6	46
1575	5462 (24)	40	27	8	4	60

Source: AGS, CCGG, 85, 86.

Between 1567 and 1575, some of the bi-annual fairs of Medina del Campo were delayed for various reasons. During the 1560s, difficulties arose from the revolt that started in 1567 in the Netherlands which was the main destination for exports of

Castilian high quality wool³⁹. Some merchants who were connected with the American trade defaulted in Sevilla in 1567, and in Burgos in 1568. Both cities were also closely related through trade with Antwerp. The reduction of business forced the definitive closing of the satellite fairs of Villalon and Medina de Rioseco in 1568. In 1569, the English captured some ships belonging to important Burgos traders whose insurance had to be paid in Medina del Campo⁴⁰. Delays continued in the 1570s: the October fairs of 1570 and 1571 were postponed to 1573.

Figure 1: dates of the Fairs of Medina del Campo



Source: See Table A1, which presents the exact dates. Circles represent dates and numbers of fairs that were actually held (from 1 to the exceptional case of 6 when the King ordered all backlog to be settled in 1574). Squares represent fairs that were scheduled but did not take place around their scheduled time and were postponed to be held with a later fair.

³⁹ Phillips and Phillips (1997).

⁴⁰ Lapeyre (2008 (reed. 1955)), p. 438.

In order to take advantage of the complementarities in market thickness, when a fair was delayed too long, it would be merged with another fair⁴¹. Because of the contingent credit payments, it was important that all fairs should take place eventually. The Council of Finance (*Consejo de Hacienda*) received requests for the regulation per decree (*cédula*) of the holding of the fairs. These requests emphasized that due payments could not be made, including payments to the Crown, without the fairs⁴². Hence, the King and his counsellors made efforts to minimize delays. For example in 1573, Melchor de Herrera, general treasurer of the King, convened with Hipólito Affaitadi and Jácome Bardi, two important merchants-bankers of Medina del Campo, to stabilize the dates of the fairs⁴³. Because of the accumulated delays in 1572-1574, the King issued a *cédula* in May of 1574 ordered the holding of all back fairs between October 15 and November 20 of that year⁴⁴, and the cash payment of all debts without refinancing. The dates of the fairs are presented in Figure 1 and in Table A-1 of the Appendix. For the years before 1575, all the fairs that were scheduled eventually took place.

The irregular inflow of silver from the Americas has been mentioned as a potential source of disturbance for the fairs⁴⁵. The fleet would arrive usually in August, but it could be delayed or canceled. Figure 2 adds to Figure 1 the amount of the fleet's precious metal. In that figure, we cannot see a relation between these arrivals and the schedule of the fair holdings. In the first half of the 1560s, fairs were held regularly with little silver. The most important feature of the figure is the clear break in 1575-77 during the suspension of payments when the flows of silver were not below trend. This break will be important in our discussion.

⁴¹ They would explain the end of complementary payments in the neighboring fairs of Villalón and Rioseco when all financial activities became concentrated in Medina del Campo. Ibid., p. 437.

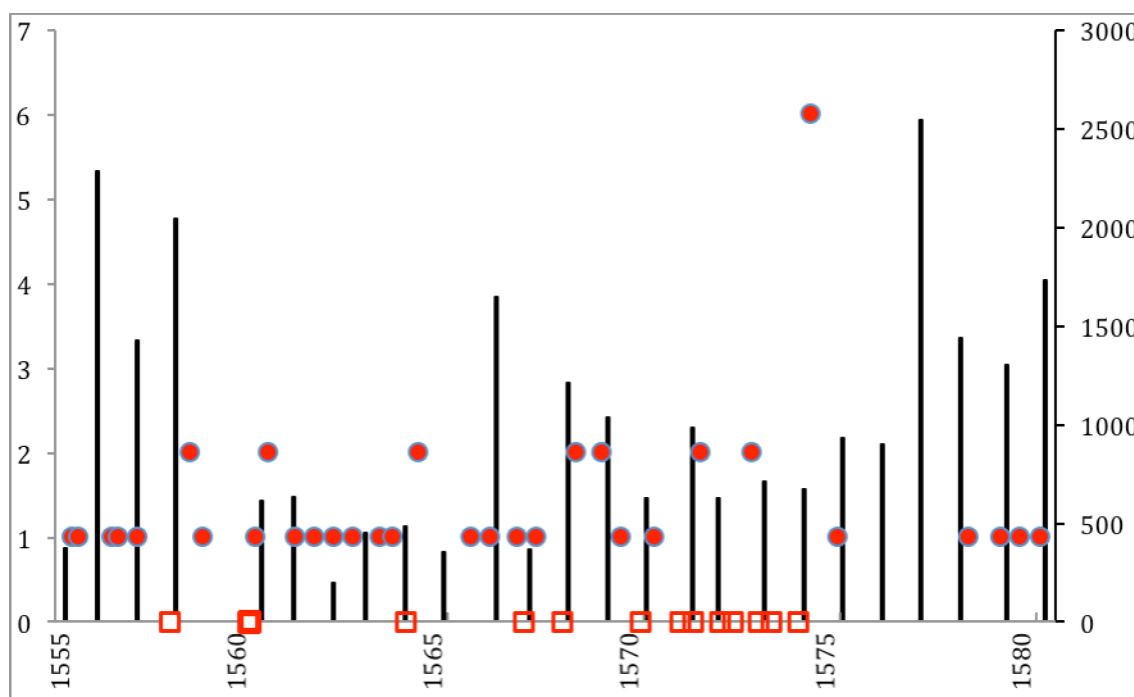
⁴² AGS, CJH, leg. 164. No date, probably 1574. Appendix, Document 4.

⁴³ "a causa de que se trata de reducir la ferias a sus tiempos concertados, si por caso se hiciesen dos de las susodichas ferias de octubre juntas...". Rojo Vega (2004), n. 5.882-6.714.

⁴⁴ AGS, CJH, leg. 164. *Cédula*, 31/05/1574.

⁴⁵ Mercado (1571), f. 14 vº. Lapeyre (2008 (reed. 1955)), p. 435.

Figure 2: the fairs and the arrivals of precious metals (in thousands ducats)



Source: In addition to those of Figure 1, Lorenzo Sanz (1979, pp. 283-292 y 263-274). The vertical lines represent the amounts of silver that was brought by the fleet in each year.

4. THE POLICY OF PHILIP II AND THE SUSPENSION OF PAYMENTS ON ASIENTOS

The tax base for the service of the long-term debt, *juros*, was stationary in the early seventies⁴⁶. The *encabezamiento* had not been changed since the resolution of the previous financial crisis in 1562, and the level of other ordinary revenues stopped growing in the early 1570s. Because of higher military activity in the Netherlands and in the Mediterranean sea, the domestic debt was growing and its service was nearing the level of ordinary revenues⁴⁷. The point where no more *juros* could be issued was approaching. From 1573 on, Philip II made strenuous but unsuccessful efforts to increase the ordinary revenues. At first, he pushed for a new flour tax with a promise to gradually redeem all the *juros* through a budget surplus. Such a promise could not be enforceable and the cities rejected what would have led to a significant increase of the

⁴⁶ Álvarez Nogal and Chamley (2014).

⁴⁷ See our previous study, Ibid. For the negotiations in the years 1573-1575, see Fortea Pérez (1990), pp. 42-88. Castilian spending in Flanders increased from 1.7 million escudos in 1572 and 1573 to 3.6 in 1574 and 2.5 in 1575. Parker (1972), p. 348.

tax base. In 1574, with no progress in the negotiations, Philip II abandoned the debt redemption plan and declared a tripling of the *encabezamiento* that was at first accepted by the delegates in the *Cortes*, but then rejected by the cities. A moderate increase would have been sufficient to avoid a short-term crisis and the tripling of the *encabezamiento* was much more than was required to finance new *juros* for a while. That tripling may have scared the cities and stiffened their will to resist. But Philip II was playing hard and his authority was on the line. His actions are consistent with a long-time removal of the fiscal constraint by the *Cortes*⁴⁸.

The unilateral tripling of the *encabezamiento* invalidated the previous system of the decentralization of the debt service through the cities and started a showdown that would last for three years. Without the cities' collaboration, and without the competent administration for tax collection, the central government had to return to the pre-1536 system of tax farming, a move that was resisted by the cities and their merchants. This outcome was not a policy goal of the royal administration either. During the 1574 negotiation with the *Cortes*, a letter to Philip II from his secretary confirms that an agreement of an increase of the *encabezamiento* to 2 million would undoubtedly be preferable to a collection of 2.5 million through tax farming⁴⁹.

The events of 1575 confirmed the fears of the ministers of the King. For example, in Toledo during the summer of 1575, Torregrosa, the administrator who had been sent to implement the increase of the *alcabalas* reported that the city's traders were willing to do everything possible to prevent anyone from taking the charge of a farm⁵⁰ and threatened to stop trading in the city and to carry their merchandises to other places⁵¹. In Cadiz, the *encabezamiento* had been of 7,500 ducats until 1574. When the King requested, by letter on 15 March 1575, a tax of 10% at checkpoints until the new distribution of *encabezamiento* would be determined, the city answered that it could not

⁴⁸ The scope of this paper is restricted to economics. However, a full account of the events will require a comprehensive integration of economics, political and historical events. See Footnote 6.

⁴⁹ "Garnica [the director of the Budget] has expressed a well founded concern about the difficulties that the administration will face in collecting such a large amount, (...), and there is no doubt that 2 millions sure and secure would be better than 2.5 millions in this way." Letter from Mateo Vázquez to Philip II, 15/02/1574. Carlos Morales (2008), p. 149, note 55.

⁵⁰ AGS, CJH, leg. 149. Carta de Pedro Luis de Torregrosa al rey, Toledo 3/07/1575. Appendix, Document 5.

⁵¹ AGS, CJH, leg. 149. Carta de Pedro Luis de Torregrosa al rey, Toledo, 4/08/1575. Appendix, Document 6.

afford it and that the tax would lead to mass emigration. Surprisingly, on 9 June 1575, the King cancelled the previous instructions⁵². At that time, the King might have opted for a change of course.

In any case, overall revenues fell well short of the requested amount. Before 1574, the *encabezamiento* had been of 1,216,362 ducats and beginning in January 1575, Philip II had requested 3,716,363 ducats. Two years later and after much efforts, in the summer of 1577 and during the financial crisis, the actual annual revenues of the *alcabalas* were only 2 million ducats⁵³.

Bankers knew that an increase of the *alcabalas* without the cities' acceptance was equivalent to an extraordinary tax. It could not augment the tax base that funded the *juros* into which *asientos* could be converted. They nevertheless granted more than 5 million ducats in new *asientos*⁵⁴ during the first seven months of 1575 (the highest amount for such a time frame) against the recent increase of the tax. Their maturity had been restricted to one year⁵⁵. But they could not satisfy Philip II. The only stable solution was an increase of the ordinary taxes that would be approved by the cities in the *Cortes*.

Faced with a deadlock in the negotiations with the cities, Philip II made a radical change of policy. On September 1, 1575, he ordered, through a *Decreto*, the suspension of all payments on *asientos*⁵⁶. This course of action had been strongly advised for some time by some high officials in his government. It had almost been taken in 1574, but at the last moment, Philip II had changed his mind without explanation⁵⁷.

⁵² AGS, Contaduría Mayor de Cuentas [hereafter CMC], leg. 1334. Distribution, 23/08/1580.

⁵³ Carlos Morales (2008), p. 199, note 196, with references: IVDJ, *envío* 22-B, fol. 108-120, 142-144, 85-87, 68-70, 208-213. Letter to Felipe II and Mateo Vazquez (summer of 1577).

⁵⁴ Álvarez Nogal and Chamley (2014).

⁵⁵ Some bankers required additional guarantees. For example, Simon Lercaro signed an *asiento* in February 1575 that includes a lien on the first income that the king would receive as donation (*donativo*) or any other source. Given the relatively small amount of the *asiento*, 61,000 ducats, he may have had less bargaining power in recovering bad debts than a strong banker as Nicolao de Grimaldo. AGS, CJH, leg. 2001-647. Memorandum from Simón Lercaro, 1575. Appendix, Document 7.

⁵⁶ A few months before, he had asked his commander in Flanders to plan for a reduction in military activity. Carlos Morales (2008).

⁵⁷ *Ibid.*, pp. 134-137.

The *Decreto* against the *asentistas* was cheered by the cities and the *Cortes*, in a parallel with the first reactions at the onset of the last financial crisis in the US and elsewhere, when many called for the punishment of bankers. As mentioned in the introduction, previous studies of the 1575-77 crisis have taken the similar view of a conflict between the Crown and the bankers. The evidence shows that Philip II was playing a different game, which, to be successful, had to be hidden. Taking advantage of the popular approval, his first action after the *Decreto* was to summon again the *Cortes*, in order to resume the negotiations about the tax increases.

The Crown stated after the *Decreto* that it would not default on the *asientos* but that it would require a revision of the payments with an interest rate of 1% per month on the balances due⁵⁸. The Crown had actually a valid point. The state of the debts with the bankers was in great confusion because *asientos* could be collateralized by *juros* (*juros de resguardo*). These could be sold for cash by bankers and then replaced by other *juros* to be returned if the *asiento* was repaid in cash⁵⁹. The bankers as "money men" were also active as financial agents of the Crown in the selling of the *juros*. Our preliminary research has shown that as a result of these multiple roles, the balances of the bankers with the Crown might have been very heterogeneous. Some bankers may even have been indebted to the Crown⁶⁰. We will investigate this issue in further work. In any case, while debt contracts with bankruptcies are efficient in minimizing the cost of information from the borrower to the lender according to modern economic theory⁶¹, the information problem has been in reverse for Philip II. The Crown wanted to take advantage of an opportunity to reexamine the contracts and to verify its net debt with the bankers.

5. THE PAYMENT STOP AND THE CREDIT MARKETS

After the Crown freezed payments to the bankers, they could not pay their creditors, who could not pay their own creditors, and so on. Given the links between *asientos* and

⁵⁸ Ruiz Martín (1968), p. 141.

⁵⁹ Ibid., pp. 121-125.

⁶⁰ Forty years later, the Maluenda brothers had also sold more *juros* than they had disbursed to the Crown during an intermediary phase of the contract (Álvarez-Nogal and Chamley, 2015).

⁶¹ Gale and Hellwig (1985), Townsend (1979).

the private credit markets, the payment stop threw wrenches through the wheels of the credit markets and the shocks propagated through the network of credit linkages, as they did in the most recent financial crisis.

In normal times, when credit markets function smoothly, most credit linkages remain hidden. In a crisis, they emerge as rocks at low tide. The 2008 financial crisis has exposed the complexity and the critical impacts of these linkages. Likewise, the crisis that was triggered by the *Decreto* of 1575 generated numerous cases of distress which we have collected in the archives, on depositors, on banks and, most importantly, on the commercial fairs.

5.1 The impact on Castilian depositors

During the payment stop, the bankers' creditors attempted to recover their deposits and sent numerous petitions to the Council of Finance. The following letter from merchants of Burgos is representative.

“Andres de Larrea, Juan de Ybarra and Andrés de Ecija, residents of the city of Burgos, state that Nicolao de Grimaldo, prince of Salerno, Juan Fernández de Espinosa and Esteban Lomelin owe us more than 120,000 ducats cash that were signed in a contract in this fair for payment Sevilla, Burgos and in the *libranzas* of His Majesty following the ordinary service that we provided”⁶²

The petition highlights the multiple layers of the intermediation process in the credit to the Crown, which in this case took the form of discounted *libranzas*. Since the amount of 120,000 ducats was large, these merchants had borrowed on the credit market:

“Our association, in order to discount the *libranzas*, had to borrow (*tomar a cambio*) from other people for payments in this Court, in Burgos and Sevilla and in Flanders, on our own credit”⁶³

The freeze of the loans by Castilian residents to the bankers had catastrophic consequences for trade, as attested by the numerous petitions that can be found in the archives of Simancas. For example,

“The suspension of payment that was ordered by your Majesty has in fact suspended all the trades and has affected all the credit market and the spirit of the trade people, not only in this place but also in others”⁶⁴

⁶²AGS, CJH, leg. 155. Memorandum, 1575. Appendix, Document 8.

⁶³Ibid.

A group of merchants in the region of Logroño (present-day northern Spain), emphasized that the payment stop affected not only the bankers of the King but also the small savers who had deposits with the bankers, and their commercial activities⁶⁵:

“We add to this the calamity and great poverty that from us is translated to many people who have entrusted us with their savings, under the thought that their were very safe and only from this service we provided they could support their houses and families. In this way, many craftsmen, ordinary people, employees and daily workers who lived and supported themselves by the business activities that depended on credit are now homeless and vagabonds”⁶⁶

The merchants explained that because of the suspension, none of them could pay their creditors and go on with their business. They requested the protection of the Crown emphasizing that without their contribution, the bankers could not have lent money to the King:

“We have no other funds to satisfy our creditors except those that are owed to us by those who are affected by the decree. In effect, our funds were converted in the service of Your Majesty and without these funds, this financial support of Your Majesty could not have been provided”⁶⁷

5.2 The impact on the commercial fairs

The freeze of the debt and its impact on trade prevented the holding of commercial fairs at Medina del Campo. As shown in Figures 1 and 2, no fair took place during the payment stop between September 1575 and the beginning of 1578. Contrary to what had been done before 1575, the Crown made no effort to keep a timely schedule. Such efforts would anyway have been futile. The Crown renewed its interventions only after the resolution of the crisis. On 25 April 1578, Philip II consulted with the cities on the means to resume the fairs and the payments that had been delayed since the last fair in 1575⁶⁸. Contrary to practice before 1575, no catching up took place for the fairs that had been missed during the payment stop.

⁶⁴ AGS, CJH, leg. 155. Memorandum to the Council of Finance from various business people, 1575. Appendix, Document 9.

⁶⁵ AGS, CJH, leg. 155. Memorandum of Diego Ximénez to the Council of Finance, 25/04/1576. Appendix, Document 10.

⁶⁶ Ibid.

⁶⁷ Ibid.

⁶⁸ Espejo and Paz (1908), pp. 269-272. Colmeiro (1863 (Reimpresión 1988)), vol. II, pp. 836-838.

5.3 The impact on banks

In Segovia, one of the main cities in the northern meseta, banks and economy activity were deeply affected by the credit crisis. In October of 1575, forty men all in important positions ("todos gente principal") were incarcerated. They had a participation in the capital of the bank of Gregorio de Haro, one of the main bankers of the city, who could not fulfill his obligations to the bank of Pedro de Angulo and Juan de Villar, who in turn, could not pay their debt of 8,000 ducats to the bank of Juan de Ibarra⁶⁹. The large number of jailed individuals included Juan de Amarita, an agent of Simón Ruiz, the banker of Philip II, and also textile manufacturers thus threatening the entire economic activity of the city. During the crisis, the donations toward the construction of the cathedral markedly decreased⁷⁰.

In Seville, two banks that operated in that city went bankrupt in 1576, the one called "Herederos de Alonso y Pedro de Espinosa"⁷¹, and the bank of "Pedro de Morga y Matia de Fano"⁷². They had operated in the city since 1553 and had overcome important crises in 1557-1560 and 1567. These bank failures were a consequence of the *Decreto* not because of direct loans to the King but probably because of loans to individuals who had invested in loans to the King. The ties between Morga and the creditors of the Crown are illustrated by the statements of one of the debtors of the bank⁷³. Andrés de Larrea, resident of Burgos, ended up in jail when he failed to pay his debt of 16,000 ducats to the bank. For his defense, he argued that he would have liked to pay his debt, if not for his inability to recover a loan of 25,000 ducats that he had made in the last *feria* of Medina del Campo to Nicolao de Grimaldo and his brother. In the own words of Andrés de Larrea, his loan to the bankers "was converted to the service of His Majesty"⁷⁴.

⁶⁹ Vela Santamaría (2014), p. 20.

⁷⁰ García Sanz (1987), p. 92.

⁷¹ On Morga and Espinosa, see Ulloa (1977), p. 435. Lorenzo Sanz (1979), pp. 188 and 206. Ruiz Martín (1970).

⁷² AGS, CJH, leg. 155. Memorandum from Esteban Lomelin, 1575. Document 11.

⁷³ Before 1575, the Crown had used the services of the bank of Morga, for example for the collection of the *alcabalas* in Seville after the city had rejected the new *encabezamiento*. AGS, CJH, leg. 154. Memorial de Agustín de Rivera, 1576.

⁷⁴ AGS, CJH, leg. 154. Memorandum from Andrés de Larrea, 1576. Document 12.

The freeze of the credit markets spurred individuals, associations and institutions to develop stop-gap measures. The Consulado of Sevilla, a merchant guild who represented all the city's merchants who were involved in trade with the colonies, extended the time for payments of the debts until the Genoese bankers were able to satisfy their debtors⁷⁵. Bilateral credit agreements with mortgages as collaterals, *censos*⁷⁶, were used by individuals and also by numerous municipalities for the purchase of bread, seeds, payments of short-term loans⁷⁷.

The Church was not spared because of the difficulties in transferring funds to Rome. It had used the agents of Italian banks in Castile and Aragon, (especially in the financial centers of Medina del Campo and Barcelona). At the end of 1577, Canobio, collector for Rome in Spain, complained to the cardinal de Como, a high official in Rome, that he could not send letters of exchange because of "ruina et poco credito dei genovesi" and suggested alternative methods of transfers⁷⁸.

5.4 The legal protection of the bankers by the Crown

In face of the petitions and the complaints by residents of the Realm, the Crown provided legal protection to the bankers instead. Until the settlement in the *Medio General* at the end of 1577, this protection against creditors prevented any ordinary court of justice to force them to pay or seize their property. This decision extended to all types of debt since no distinction could be made for the debts related to the Crown's credit. Furthermore, the bankers used the *Decreto* as a quasi-official excuse to avoid any obligation in the set of complex credit linkages.

For example, four royal decrees were sent to Juan Ortega de la Torre in Burgos to protect him from any suit for any type of debt. These measures expired in October 1576, but the banker received an extension⁷⁹. Thanks to this royal protection, Ortega escaped

⁷⁵ AGS, CJH, leg. 151. Letter from the Consulado, 26/03/1576.

⁷⁶ Bennassar (1989), p.87. Yun Casalilla (1987), pp. 220-223, 237.

⁷⁷ The city of Valladolid had used such loans to pay craftsmen for the reconstruction of the city after the fire of 1561.

⁷⁸ Carretero Zamora (2013), pp. 99-100.

⁷⁹ AGS, CJH, leg. 154. Memorandum Juan Ortega, 1576: "the persons who are affected by the *Decreto* ("*decretadas*") owe much more than my own debt of 100,000 ducats and I have no possibility to demand and force them to pay me back". Ortega had to do some time in jail, however. Ruiz Martín (1968), p. 143.

credit problems and continued to operate in 1581 with branches in Madrid, Sevilla, Valladolid, Medina del Campo and Antwerp.

Three merchants from Burgos had discounted payment orders by the Crown (*libranzas*) to three well-known bankers (Nicolao de Grimaldo, Juan Fernández de Espinosa and Esteban Lomelin). After the merchants' petition to seize the property of the bankers was rejected, they bitterly complained against the discrimination:

"The delay [in payment] causes our complete ruin; the officials of Your Majesty are treating us in such a way that we cannot gain cause for our property and credit. Nicolao de Grimaldo and others are protected by Your Majesty, so that we cannot demand from law officials to seize their goods and incarcerate their persons ..." ⁸⁰

Joan de Lago, an important merchant in Burgos, wrote in similar terms:

"The payment delay leads to our complete demise. The officials of Y.M. (Your Majesty) issue orders such that we cannot prevail in our claim of payments and of credit... Nicolao de Grimaldo and our other debtors are protected by Y.M. such that we cannot request from the law that they seize their property and jail their persons, and they keep their book and papers as before (...) This causes us a considerable prejudice because they enjoy the use of the amounts they that have to pay" ⁸¹

Like Joan de Lago, Sebastian López de Orozco, an accountant, could not get back the 1,792 ducats that he had loaned to Nicolao de Grimaldo a few months before the decree ⁸². That was a small amount with respect to an *asiento* but Grimaldo refused to return the deposit in 1575, alleging that he could not because of the *Decreto*. Sebastián López, facing jail while the banker was unaffected, petitioned to the King

"to enforce the payment and not permit the Genoese bankers to put him in jail and in a situation of great necessity, without any reason, because he did not do anything illegal. If the bankers force their debtors to pay debts, they have to do the same and to pay their debts to the people of Castile" ⁸³

When Sebastián López learned that don Rodrigo de Mendoza owed Grimaldo a similar amount, he demanded the payment of that debt directly to him. Grimaldo instead refused and had some of don Rodrigo's goods seized for non payment! It was proof of

⁸⁰ AGS, CJH, leg. 155. Memorandum without date, 1575. Appendix, Document 8.

⁸¹ AGS, CJH, leg. 155. Memorandum from Joan de Lago to the Council of Finance, 1575. Appendix, Document 13.

⁸² AGS, CJH, leg. 155. Memorandum from Sebastián López de Orozco, 1575. Appendix, Document 14.

⁸³ Ibid.

“the malice of the named Prince and [that] he does not pay not because he cannot but because he does not want to”⁸⁴

The creditor Andrés de Larrea petitioned the Council of Finance (*Consejo de Hacienda*) and asked for help to get out of jail. He could not use local law to recover loans in order to pay his debt:

“and I find myself in the impossibility not only to pay the debts that are asked from me but also to pay a bail to free myself from this terrible jail to treat my sickness. I could not find any amount of money. For this reason I have suffered much oppression and trouble in the two months of my detention. During that time my debtors have been let free and are protected while I cannot recover my claim from them. Although I have made my requests, the town’s authorities do not want to issue an order of execution against them”⁸⁵

Because of the pyramids of credit, small people suffered too when they had entrusted their small savings to intermediaries who had forwarded them to Genoese bankers. Doña Francisca de Salazar, widow of Lope Rodríguez Gallo de Castro in Burgos, protested that she had loaned 606 ducats to the marquis of Auñón, General Treasurer of the King, through the bank of Antonio Vázquez. To recover her ducats she had received from Auñón a payment order to be presented to Nicolao de Grimaldo. But Grimaldo refused to pay. She turned then to the marquis who likewise refused. In her appeal to the Court in Madrid and the Council of Finance to obtain the payment and seize some goods of the marquis, she stated: “We have completely lost the credit, which is the nerves, the soul and the strength of commerce”⁸⁶.

This royal protection was not extended to other people in the realm who had to pay their own debts even if they could not recover their assets with bankers affected by the *Decreto*. The *licenciado* (holder of a degree) Mena was unable to recover his deposit of 20,000 ducats from the Genoese bankers, but his own property was seized because he could not pay a debt of 800 ducats. He avoided jail only by a fire sale of part of his properties and a loan from a friend⁸⁷. Mena complained that the King protected only the

⁸⁴ Ibid.

⁸⁵ AGS, CJH, leg.154. Memorandum from Andrés de Larrea, 1576. Appendix, Document 12.

⁸⁶ AGS, CJH, leg. 154. Note of the secretary, 1576. The same source documents the appeal by Francisco de Rojas in Madrid to the Council of Finance to seize some property of Nicolao de Grimaldo who would not return a deposit.

⁸⁷ AGS, CJH, leg. 154. Memorandum from the *licenciado* Mena, 1576. "Demand from Your Majesty that since he cannot pay if he does not have cash (his deposit), Y.M. order to provide to him his protection as for the others and that the majors and the justice of this region enforce the payments of the debts by Nicolao de Grimaldo and Nicola y Visconte Cataneo."

bankers and not their Castilians creditors. These examples are but a sample of many similar documents in the archives of Simancas.

6. THE RESUMPTION OF CREDIT AFTER THE AGREEMENT WITH THE CORTES

In the recent crisis, after the failure of Lehman Brothers, the impact on credit was felt immediately and policy makers reacted swiftly. However, the response of economic activity and unemployment was delayed. In the 16th century, with the slow clock of the fairs and of the seasons, it took time for the cities to feel the full impact of the *Decreto*.

When the initial cheers were replaced by a flow of complaints and petitions, and despite adverse events (*e.g.*, the sack of Antwerp by his unpaid army), Philip II stayed the course. The government of Genoa pleaded through its ambassador in Madrid and reminded Philip II of the harm that was caused on merchants and bankers in this Italian Republic that played such a crucial role for the Crown⁸⁸. In July 1576, a special embassy impressed upon the Crown the undesirable effects of a harsh settlement upon the Republic's internal stability⁸⁹. The demands from the Genoese government were explicitly mentioned in the document of *Medio General* that resolved the crisis in 1577⁹⁰.

The crisis spread to markets in Genoa and Rome. Several governments tried through diplomacy to exert an influence on Philip II to find a solution. The King received proposals to create new financial devices to meet the state's needs and at the same time to circumvent the Genoese intermediaries. The most important was the project of Oudegherste and Rotis in 1576 to create "Erarios"⁹¹.

The Church intervened. The Papal Nuncio reminded the King that many non Genoese merchants were involved with the Genoese bankers – Spanish, Milanese, Florentine, Venetian, and others from every part of Italy. Should the Genoese collapse, they would

⁸⁸ AGS, CJH Libros, 42, f. 42v. Cédula, 25/05/1578.

⁸⁹ Lovett (1977), p. 100.

⁹⁰ AGS, CCGG, leg. 309. Medio General, 5/12/1577, fols. 3-4. Appendix, Document 15.

⁹¹ Dubet (1998), pp. 205-212. This proposal was studied but not accepted at this time. It was presented again years later. Ruiz Martín (1969), pp. 607-644.

take with them partners, large and small. As usual, a plea was made for the poor widows and “honest” maids who had entrusted their dowries to the *asentistas* and were at great risk.

Contador Salablanca, of the Council of Finance, reminded the King that if he wished to exert an effective presence outside the peninsula, the fairs had to be reinstated. Finally, even Nicolao de Grimaldo pleaded for some form of agreement, if only on an interim basis, so that he might placate his creditors⁹². Institutions inside the realm (e.g., the Consulate of Burgos who represented the interests of the main businesses of the city) also insisted with the King that he should come to an agreement with the bankers⁹³. But Philip II was patient. His goal was the agreement of the cities in the *Cortes* for a higher *encabezamiento*.

Negotiations were conducted in parallel with the bankers and with the cities. For the bankers, the Crown created a commission that reviewed the sales of the collateral (*juros de resguardo*) by the bankers, and the position of each banker with the Crown. That commission examined all the *asientos* that had been signed since 14 November 1560, 296 contracts with 66 people (Nicolao de Grimaldo 35, Lucian Centurion 34, Lorenzo Spinola 32, and so on)⁹⁴. The balance of each active *asiento* was computed by bringing past payments to the current date with the standard monthly interest rate of one percent.

In the early spring of 1577, the Crown and the bankers agreed on the amount of 15.2 million ducats⁹⁵. But settling with the bankers was not the main issue for Philip II, and he may have waited with the bankers until March 1577 because he was not rushed: progress in the *Cortes* was so slow⁹⁶. The squeeze had to go on. During the spring and the summer of 1577 Philip II had prepared a reduction of the *encabezamiento* (from the

⁹² Lovett (1977).

⁹³ AGS, CJH, leg. 151. Letter of Andrés de Cañas to Juan de Escobedo, (secretary of Philip II), 20/04/1576.

⁹⁴ Carlos Morales (2008), p. 166.

⁹⁵ The larger part of the debt was not in unpaid arrears, but in repayments that were contractually scheduled for the future. From an examination of all the *asientos* that were initiated between 1570 and 1575 (and some before 1570), it appears that the total amount of the payments scheduled after 1575 exceeded 12 million ducats. Given the average maturity of these remaining liabilities, an approximate estimate of the present value of the scheduled repayments is about 10 million ducats. Arrears would then represent about 5 million ducats.

⁹⁶ The sack of Antwerp by the unpaid Spanish troops, on November 4, 1576, seems to be a non-event for the negotiations.

tripling in 1574) if the cities would grant the *servicio ordinario* and the *servicio extraordinario*⁹⁷. In the summer of 1577, he reiterated that the signing with bankers could not proceed as long as the cities did not agree to a tax increase. A letter written on behalf of the King by his secretary emphasizes the close relation between the two issues:

“Since you have sent me these reports on the matter of the *Medio General* and of the *encabezamiento*, I have examined and reflected with great care on the first and on the second. Both matters are important in the substance (...) and I hold each matter much dependent on the other”⁹⁸

The following month, Juan Fernández de Espinosa, General Treasurer of Castile, sent instructions from the King to Mateo Vázquez, Secretary of Philip II, that demonstrate how the two issues, suspension of payments and increase of the *encabezamiento*, were linked:

“Make sure that among the negotiators they have no power, occasion, or license to err in matters that are so important and so few, namely these two matters, the signing of the *Medio* (agreement with the bankers) and the *encabezamiento*”⁹⁹

Finally, the cities relented. On 29 October 1577, a new *encabezamiento* was voted in the *Cortes*. In previous adjustments, increases had been roughly proportional across cities. But in 1577, the shares of some cities jumped up, Seville from 10.2 to 17.5 percent, Toledo from 5.8 to 7.6 percent, while Granada's share dropped from 9.2 to 5 percent. After the agreement on the *encabezamiento*, the voting on the *servicio extraordinario* was sped up and a final agreement was reached on November 16, 1577.

Once the stumbling block in the *Cortes* had been removed, the *Medio General* was signed with the bankers two weeks later, on 5 December 1577, under the terms of the agreement of March 1577¹⁰⁰.

⁹⁷ Instituto Valencia de Don Juan [hereafter IVDJ], Envío 76, fols. 554-557. San Lorenzo del Escorial, 7/07/1577. Minutes of a letter written in name of Philip II by his secretary. Appendix, Document 17.

⁹⁸ Ibidem.

⁹⁹ IVDJ, Envío 22. Caja 33, TB 49, folio 98. Letter from Fernández de Espinosa to Mateo Vázquez, 11/08/1577. Appendix, Document 16.

¹⁰⁰ Some debt reduction took place in the text of the agreement. The evaluation of the actual debt reduction requires another study that would need to address at least two major issues. First, some of the redeemable *juros* were refinanced at a lower interest rate. Given the fragmented nature of the capital market for the *juros* that were tied to cities, the reduction of the rate on a *juro* was done by augmenting the capital, for an unchanged coupon, with the option for the holder to cash the face value. The second issue is that the bankers who suffered a statutory loss on their *asientos* in the *Medio General*, received

In the text of the *Medio General*, the King made it clear that in settling with the bankers, he was following the express wish of the cities:

“...and adding to all this the demand that was addressed with particular insistence about the same affairs by the delegates of the realm who are gathered in the Cortes that we are holding at the present time in Madrid”¹⁰¹

A decree that was issued six months after the settlement repeats:

“Given the pressing demands on this same issue by the ambassadors that were sent to us by the republic of Genoa and by the delegates in the Cortes, we ordered to settle with these business people (personas de negocios) the *Medio General* on December 5 in the past year”¹⁰²

On April 25, 1578, Philip II consulted with the main cities and institutions on how to resume and solve the problems of the fairs¹⁰³. The general response was that the 1575 suspension had caused enormous harm to trade¹⁰⁴. After an interruption of three years, the fairs resumed on 28 October 1578, as ordered by a royal decree on 5 August 1578¹⁰⁵. All the pending payments were made at that fair. However, the extended gap between 1575 and 1578 had a permanent impact and the fairs of Medina del Campo lost their role as central financial markets of Spain. Merchants and bankers had developed letters of exchange *al uso* that could be paid at places other than Medina del Campo¹⁰⁶. During the crisis of 1575-1577, the financial activities in Medina had been gradually transferred to Madrid where many of the *asientos* had been negotiated before 1575 and where the government and the bankers resided. After the crisis, some of these activities did not return to Medina del Campo.

7. CONCLUSION

The analysis of the credit crisis 1575-1577, which is based on new archival material, is revealing on the structure of the Castilian credit market and throws light on the actions of Philip II and on his political relationship with the cities of Castile. The cities' relative

some compensations in the years after 1577, including clawback provisions in new *asientos*. The archives contain information but it is dispersed and difficult to trace.

¹⁰¹ AGS, CCGG, leg. 309. *Medio General*, 5/12/1577, fols. 3-4. Appendix, Document 15.

¹⁰² AGS, CJH Libros, 42, f. 42v. Copia cédula, Madrid, 25/05/1578. Appendix, Document 18.

¹⁰³ Espejo and Paz (1908), pp. 269-272.

¹⁰⁴ Lapeyre (2008 (reed. 1955)), pp. 447-48, Espejo and Paz (1908), pp. 94, 296 y 309.

¹⁰⁵ AGS, CCA, DIV, 48-6.

¹⁰⁶ Lapeyre (2008 (reed. 1955)). Already before 1575, some letters had been written on the *feria* of Alcalá de Henares, which was closer to the royal court or even at Madrid (which had no fair). Ruiz Martín (1987), pp. 281-282.

autonomy limited the state's power and enabled them to bargain with the King. In some way, the involvement of the cities in the collection of revenues and the service of the domestic debt benefited the Crown because it enhanced the credibility of the debt and lowered its cost. But their fixed contributions, negotiated and voted in the *Cortes*, imposed a *de facto* ceiling on domestic public debt and on the ability of the King to refinance the short-term debt into long-term debt. The payment stop of 1575 was protracted because Philip II decided to remove that ceiling through a very large increase of the taxes and the cities resisted until the economic burden became too high.

By issuing the *Decreto*, Philip II could channel some of the Realm's upset against the Genoese bankers, but he protected them in practical situations. The numerous petitions to the King, the protection of the Genoese bankers against Castilian creditors, the reports of Philip II on the credit market before he became king, letters during the crisis, all these show that the "Prudent king" was aware that a large part of *asientos* were financed by the bankers' intermediation of credit and savings in Castile, and that the payment stop would put an economic squeeze on the *Cortes*. In an early example of a struggle on the debt ceiling between an executive and a representative assembly, the temporary victory of Philip II was achieved at a high economic cost for the Realm.

As the ceiling on the service of the *juros* was lifted, all the *asientos* were refinanced into *juros*. This point is important and has been neglected in the literature. The settlements of each of the three financial crises under Philip II included a complete refinancing of the *asientos* into *juros*. The debt to the bankers was not reduced to an intermediate level. It was reduced to zero. That feature is not surprising once it is clear that first, temporary adverse shocks to the budget should be absorbed through unfunded debt, *asientos*, second, an accumulation of *asientos* which corresponds to a permanent shock, should be converted to funded debt, *juros*, third, the crises took place when the conversion process could not take place because of the effective ceiling on the further emission of *juros*. The settlements enable the Crown to make these refinancings.

The routine refinancing of the unfunded debt into funded long-term term debt in 16th century Castile is remarkable. France and England struggled to refinance their unfunded debt after 1700 and the wars of Louis XIV, and they took the indirect route of a refinancing through charter corporations. In France, that led to a failure after the

disaster of John Law. England took more than twenty years after the Glorious Revolution to significantly reduce its unfunded debt¹⁰⁷. In a previous study¹⁰⁸, we have analyzed an example of such a refinancing through an *asiento* in 1595, and we will address the issue in coming work.

¹⁰⁷ See Figure 4.9 in Brewer (1988). The transition from unfunded to funded debt is discussed in Quinn (2008).

¹⁰⁸ Álvarez-Nogal and Chamley (2015).

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APPENDIX

Table A-1: dates of the fairs of Medina del Campo (1556-1580)

Date of holding a fair	Number of fairs held	Name of the fairs that were held at that date		
2/1556	1	10/1555		
12/1556	1	5/1556		
2/1557	1	10/1556		
8/1557	1	5/1557		
12/1558	2	10/1557	5/1558	
4/1559	1	10/1558		
8/1560	1	5/1559		
12/1560	2	10/1559	5/1560	
8/1561	1	5/1561		
2/1562	1	10/1561		
8/1562	1	5/1562		
2/1563	1	10/1562		
10/1563	1	5/1563		
2/1564	1	10/1563		
10/1564	2	5/1564	10/1564	
2/1566	1	5/1565		
8/1566	1	10/1565		
4/1567	1	5/1566		
10/1567	1	10/1566		
10/1568	2	5/1567	5/1568	
6/1569	2	10/1567	10/1568	
12/1569	1	5/1569		
10/1570	1	10/1569		
12/1571	2	5/1570	5/1571	
4/1573	2	10/1570	10/1571	
10/1574	6	5, 10/1572	5, 10/1573	5, 10/1574
6/1575	1	5/1575		
10/1578	1	10/1578		
8/1579	1	5/1579		
2/1580	1	10/1579		
8/1580	1	5/1580		

Sources: AGC, CMC 2ª época, leg. 983. Constantin Gentil. Accounts since 1561 Lapeyre (2008, pp. 436, 442), AGS, CJH, leg. 80. Copy of the asiento with Nicolado de Grimaldo y Lorenzo Spinola, 1566. AGS, CJH, leg. 164. Cédula, 31 May 1574. Carlos Morales (2008, p. 112). Ulloa (1977, p. 776). Abed (1986, pp. 91-92). Hernández Esteve (2010, pp. 72, 116, 121).

Each fair can be traced by a number of documents. The merchants and the bankers wrote contracts contingent on fairs that were named by their dates. If a fair was delayed, it was merged with a later fair but it kept its name (its scheduled date). Hence, some *asientos* may have been signed at a date posterior to payment dates. For example, the fair of May 1570 was delayed but kept its name. On 4 January 1572, Agustín Gentil signed an *asiento* with the promise to deliver 160 000 ducats "in the May fairs of 1570 and 1571 that are being held together now".

For May fair of Medina del Campo, the schedule for payments was between 15 July and 10 August. For the October fair, the payments were scheduled for December. The sources are not very accurate on the exact day of the beginning and the end of the fairs. We have put a unique month for the date of the fair, but a fair could be held over more than a month. We have references on the fair of May in 1560 but no information on the exact date of its holding. We do not yet have data on the fairs of May 1556 and October 1560.

DOCUMENTS

Document 1. CDCV, m, pp. 509-510. Carta de Felipe II a Carlos V, 7/10/1552.

“Los del Consejo de la Hazienda me han dicho algunas vezes que los cambios se han subido y suben de cada día a muy excessiuos precios, de que Vuestra Magestad y los naturales destos Reynos reciben gran daño, porque lo que costaua nueue o diez por ciento cuesta agora treinta y treinta y uno, y que esto ha resultado de la premática que se ha hecho para que no puedan dar ni tomar a cambio de feria a feria, ni de las ferias para Seuilla, porque con esto se han desacomodado mucho los mercaderes destos Reynos, speciallymente los naturales dellos, que por no caer en falta de sus créditos toman dineros a cambio de los estrangeros para fuera del Reyno, sin tener allá respondientes. Y como los estrangeros lo supplen todo, bueluen de allá con mucho daño, y assy vienen a ganar ellos y perder los naturales. Y aunque la premática deue ser justa y conforme a consciencia, en este tiempo ha sido muy dañosa para la Hazienda de Vuestra Magestad y de los mercaderes naturales, la qual se pudiera excusar pues por las leyes e derecho destos Reynos estaua ya proueydo lo que en ella se manda, y acá mirasse mucho en no dispensar con ella por hauer tan poco se hizo. Y los que allá contractan con Vuestra Magestad negocian que se derogue, y de saber que Vuestra Magestad manda que se dissimule con ellos piden lo mismo los de acá, y como no se les da passasse mucho trabajo en hallar dineros de otra manera. También ha resultado desta premática que como los mercaderes estrangeros nopueden tractar dentro del Reyno con los dineros procurar de sacarlos del, y allá como veen la suya quando se los piden para el seruycio de Vuestra Magestad, despachan licencias para sacarlos, por virtud de las quales han sacado y sacan grandes quantidades de dineros para Italia y allá véndenlos bien a Vuestra Magestad, y acá ponen estréchela en la moneda, ques causa de costar más a los que la han menester. Y assy se aprouechan ellos por todas vías y estos Reynos y los naturales dellos padescen mucho y andan trabajados y

descontentos de no tener la libertad que solían para sus tractos y commerçios, y specialmente Seuilla dicen que recibe mucho daño, y que por esto se disminuye el tracto de las Yndias»¹⁰⁹

Document 2. AGS, CCGG, 86. Asiento con Pablo de Grimaldo, 22/12/1574

El dicho Pablo de Grimaldo
Asiento
Tomado con Simón Palavesín en su nombre
En 22 de diciembre de 1574 sobre 311.222.020

El Rey

Lo que por nuestro mandado se asienta y concierta con Simón Palavesín en nombre de Pablo de Grimaldo sobre 311.222.020 mrs que se nos han de probeher en nombre del dicho Pablo de Grimaldo para cosas de nuestro servicio como adelante ira declarado es lo siguiente:

Primeramente el dicho Simón Palabessin en el dicho nombre promete y se obliga que se pagaran a quien por nos fuere mandado

los dichos 311.222.020 en reales de contado en esta Corte es a saber 43.302.950 dellos en fin deste presente mes de diciembre, y 265.569.293 mrs en fin del mes de diciembre del año venidero de 1575 y los 2.349.777 mrs restantes el día de San Juan de Junio del año de 1576.

Los quales dichos 311.222.020 damos facultad al dicho Pablo de Grimaldo para que los pueda traer y traiga a cambio sobre su crédito y por nuestra cuenta desde los susodichos días que los ha de pagar hasta los plazos de las ynfraescritas consignaciones que se le dan de que ha de ser pagado contando sobre las consignaciones que se le dan en el subsidio y servicio un mes más del plazo dellas por el gasto y dilación de la cobranza

Y nos contentamos y tenemos por bien porque tome a su cargo y riesgo el dicho Pablo de Grimaldo como lo toma lo que costaren los dichos intereses deste asiento se le libren y hagan buenos por ellos 16 por ciento a cabo de año intereses sobre intereses quierle questen mas quierle questen menos.

En lo qual respecto de cómo a el presente corren y pasan los negocios e intereses nos tenemos por bien servido del

Document 3. AGS, CJH, 80. Copy of the asiento with Nicolao de Grimaldo y Lorenzo Spinola, no date (1566 o 1567)

“y lo que se le librare en ferias se le quente en los tiempos que los pagamentos de aquellas se hicieren, porque los dichos Nicolao de Grimaldo y Lorenzo Spínola, no an querido venir en que se les cargue esto de las ferias en días precisos a causa de las prorrogaciones y largas que podía haver en ellas”.

Document 4. AGS, CJH, 164. Sin fecha, probablemente 1574.

“que por quanto su Majestad mandó por su real cédula que los cambios que estaban asistiendo en Medina del Campo a los pagos de feria de octubre de 1570 y 1571 viniesen a esta Corte a acabar los dichos pagos por cosas convenientes a su real servicio, y ahora los dichos pagos son fenecidos

¹⁰⁹ Carlos Morales 2003 cambios, p. 288-289.

y acabados muchos días ha y los dichos cambios no pueden pagar los restos que deven sin que las personas que les deven en todo el reino les acudan a pagar las cantidades que les deben diciendo que los dichos pagos no son acabados de que se les recrecen muchos daños y intereses y a su Majestad de servicio, los dichos cambios nos han pedido que les diésemos ejecutores para que fuesen a cobrar de las personas que les deben qualquier maravedies (a costa de los deudores)”

Document 5. AGS, CJH, 149. Carta de Pedro Luis de Torregrosa al rey, Toledo, 3/07/1575.

“Ayer estuve en casa del corregidor con los regidores y trajeron consigo algunos hombres de negocios conferimos el negocio y todos conceden que estaban muy relevados en los tratos y de tal manera que confiesan los tratantes que hera tan poco lo que pagaban de alcabala en el encabezamiento pasado que no lo cargaban en las mercaderías porque no era de consideración. Yo les repliqué que quanto menos pagaban abra lugar de más acrecentamiento, lo qual no se podrá hacer así en lo que está muy subido, con todo eso están muy firmes en su opinión de que si se creciese el alcabala ni aún a tres por ciento en las cosas de comercio que cesaría y como ven que con los arrendamientos tienen aparejo para con los arrendadores de hacer dellos lo que quieren y que con abstenerse de tratar por algunos días y que cuando se acerque el fin del año han de hacer con ellos todo lo que quisieren y por todos los medios que pudieren procurar de destruirles para que otros no se atrevan a arrendar están en esto tan en su negocio, y creyendo que siempre ha de ser por aquel camino y que no se a de hacer por otro”

Document 6. AGS, CJH, 149. Carta de Pedro Luis de Torregrosa al rey, Toledo 4/08/1575.

“Asi mismo les dije que si juntado con los 65.000.000 mrs y con lo que digo en este capitulo que es de mucha consideración ay lo de la ratta de los meses de enero y febrero y 24 de marzo y que si V. md. me mandase cobrar a 10 por ciento como le pertenece que subiría de los 80.000.000 mrs en que V. md. se la ha mandado ofrecer y allende desto les dije todo lo que me pareció que convenia para dalles a entender quan bien les estaba encabezarse y dellos ni de todo lo que hasta oy he podido entender de los del regimiento y de todos los más inteligentes y de negocios no se saca otra cosa ni la dicen, sino que con cualquier cosa que se les lleve a los tratantes más de lo que antes solian pagar en el encabezamiento pasado ha de cesar todo el comercio y que si sacan de Toledo 80.000.000 mrs cada año que es imposible que ya que los aya para este año que los pueda aver para el que viene. Yo les he replicado a esto y dado razones tan concluyentes que me parece que se pudieran y devieran satisfacer, no lo hacen. En mi debe de estar la falta, aunque no en la voluntad”

(...) “los hombres de negocios de esta ciudad no están nada bien con los arrendadores antes procuran hacerles todo el daño que pueden y amenazándoles que no han de tratar hasta el año que viene y que las mercaderías que tuvieren las han de llevar a vender a ferias y mercados francos y esta asimismo es una de las causas por donde les parece que podrán pasar sin encabezarse por algunos días y en prosecución desta su yntención uno de los mercaderes de aquí hizo pregonar ayer tres del presente cierto memorial que un arrendador de Alcalá de Henares le envió ofreciendo por el ciertas bajas en las alcabalas si llevasen allí sus mercaderías a vender, pareciome que en esta ocasión no sanaba bien que un mercader se atreviese sin licencia y autoridad de la justicia hacer pregonar en Toledo cosa como esta, bien creo que los unos y los otros y señaladamente el escribano que no supieron ni atendieron tanto a lo que hacían, yo les hice llevar a la cárcel y están en ella”

Document 7. AGS, CJH, 2001-647. Memorial de Simón Lercaro al Consejo de Hacienda, 1575

XXX“y lo que montare principal e intereses a buena cuenta ora sea más o menos, se me mande dar luego cedula para que los contadores mayores me los libren por mitad en el segundo y postrer tercios deste presente año en este nuevo crecimiento de alcabalas en los partidos que yo señalare, (...) con condición que si acaeciese que el crecimiento de las dichas alcabalas no pasase adelante

que se me haya de librar y consignar en los primeros dinero que el Reyno diese a V. M. por donativo, o en otra qualquier manera en falta del dicho crecimiento”

Document 8. AGS, CJH, 155. Memorial sin fecha, 1575.

“Andres de Larrea, Juan de Ybarra y Andrés de Ecija vecinos de la ciudad de Burgos dezimos que Nicolao de Grimaldo, príncipe de Salerno, Juan Fernández de Espinosa y Esteban Lomelin nos deven más de ciento y veinte mil ducados de dineros que en esta feria les dimos para que nos los pagasen en Sevilla y Burgos y de libranzas de V. Mgd. sobre el servicio ordinario que les socorrimos, las quales por V. Mgd. se han mandado suspender y aunque en esta corte hemos intentado de cobrar de los susodichos lo que ansi nos deven no lo hemos podido ni podemos hazer respeto de aver mandado V. Mgd. impedir por el presente el cobrar dellos por justicia y quando nosotros de compañía dimos a los sobre dichos el dicho dinero y les socorrimos las libranzas tuvimos necesidad de tomar alguna cantidad de dineros a cambio de otras personas para los pagar en esta Corte, Burgos y Sevilla y Flandes, lo qual tomamos por nuestros créditos los quales avemos perdido y ni por ellos podremos ya allar ningún dinero ni otra azienda con que poder pagar lo que asi debemos ni la tenemos más de lo que nos deven los dichos Nicolao de Grimaldo, Joan Fernández de Espinosa, Esteban Lomelin y no es justo ni V. Mgd. lo deve permitir que por una parte se nos aya ynpedido y cerrado el camino para cobrar de los susodichos lo que ansi nos deven y por otra dejarle abierto para que nuestros acreedores nos puedan molestar con execuciones y prisiones. A V. Mgd. Pedimos y suplicamos muy umildemente nos mande dar su real cédula para que las justicias desta Corte ni las de la ciudad de Burgos, ni otras partes no nos agan molestias con execuciones ni prisiones y esto asta que V. Mgd. Aya mandado tomar algún buen medio con los susodichos o por el tiempo que vuestra real voluntad sea y en esto recibiremos bien y merced.”

Document 9. AGS, CJH, 155. Memorial al Consejo de Hacienda presentado por varios hombres de negocios, sin fecha, aprox 1575”

La suspensión que V. M. ha sido servido mandar hacer de las consignaciones, ha en manera suspenso todos los negocios y alterado todos los créditos y animos de los negociantes, no solamente en los desta Corte más en los de las otras plazas, que si V. M. No proveyese de algún remedio en el entretanto que V. M. Manda declarar su Real Voluntad acerca de la paga de lo que havemos de haver y que con el puedan los que deven entretenir sus acreedores, muchos hombres de negocios por temor de las molestias y execuciones que se les podrían hacer se ausentarían, lo qual seria de gran perjuicio para todos los tratantes y el trato del todo caería, y la contratación y comercio se perdería de que a las rentas reales resultaría gran daño, y si V. M. Manda poner remedio en ello y con la confianza que se tiene que la paga que V. M: mandara hacer, será tal que se podrá dar entera satisfacción a nuestros acreedores, cesaran estos inconvenientes y cada uno yra procurando entretenerse sin venir en desorden y se conservara todo el trato en pie y el comercio bivo, y la experiencia ha mostrado quan conveniente y necesario sea semejante remedio, pues en las partes y plazas a donde suele haver muchos negocios sea visto que siempre que ha acaecido algún notable accidente entre los tratantes que los príncipes han mandado suspender los pagamentos por algún tiempo, y proveydo que los que devian no fuesen molestados conociendo ser necesario el hacerlo por el bien de la república y para la conservación del trato y el haver V. M. Mandado proveer esto en esta corte se conoce quan acertado ha sido y sea no solamente para los que deven más para los que han de haver, pues en un açidente tan grande hasta agora no se a desordenado persona alguna y porque en Sevilla, Burgos, Granada y Medina del Campo como plaças de más negocios que las otras destos Reynos, todos nosotros havemos ynviado débitos para entretenir y sustentar la mucha ocupación de hacienda con que a V. M. Havemos servido, y los ombres de negocios que residen en las dichas plazas, han aceptado y obligado a la paga de los dichos débitos que les havemos sacado a pagar, si los a quien deven, los pudiesen molestar sucederían muchos inconvenientes, suplicamos a V. M. Que sea servido para la conservación del trato y para hacernos merced a todos, mandar a las justicias de las dichas ciudades de Sevilla, Burgos y villa de Medina del Campo que por el tiempo que fuere la voluntad de V. M., no admitan ninguna execución ni molesten a ningún ombre de negocios por las deudas que deven procedientes de cambios ni se haga ningun protesto contra ellos ni contra nosotros, según que se suele hacer

quando V. M. Manda prorrogar los pagamentos de feria lo qual es muy necesario para el remedio susodicho y en ello reçeviremos bien, gracia y merced.

Firma: “Esteban Lercaro, Esteban Lomelin, Lucian Centurion y Agustín Spínola, Nicolao Grimaldo, Esteban Gentil, Agustin Gentil, Visconte Catano, el Principe de Salerno, Joan y Pau Sauri, ¿???”

Respuesta: “Que se les de cédula para que ninguna justicia los execute por las deudas que deven procedentes de cambios”

Document 10. AGS, CJH, 155. Memorial de Diego Ximénez al Consejo de Hacienda, 25/04/1576. Se ordena pasárselo a Escobedo.

“Diego Ximenez de Enciso, vezino de Logroño, por si y por otros vecinos de las ciudades de Santo Domingo de la Calçada y Nagera y villa de Toreçilla de los Cameros dize que por vecinos de Burgos, Vitoria, Medina del Campo y de otros lugares destos reynos esta V. Mgd. ymformado de los grandes trabajos y estremas necesidades en que todos estamos y el general comercio y contratación después de la suspensión y decreto que V. Mgd. mandó hazer para remedio de los daños que V. Mgd. ha rescivido en asientos que sean hecho con estrangeros y particulares hombres de negocios, y si estos dapños redundasen en solo los decretados y en los que estos fiamos nuestras haziendas, paresçe que en cierta manera serian tolerables, pero juntamente con ellas y con las agenas que otros nos avian confiado, hemos perdido totalmente el crédito que es el nervio, alma y fuerza de la contratación, sin la qual, no es posible sustentarse ni entretenerse las republicas, las quales y las rentas reales creszen y se aumentan con el comercio, y sus fuerzas y de los príncipes principalmente consisten en las haziendas de los súbditos de esta verdad tiene V. Mgd. grande y particular noticia y experiencia en sus estados de Flandes, sin exemplos agenos, que con ser tierras marítimas y estíreles solo el comercio las ha hecho las mas ricas y abundantes de la Europa, juntase a lo dicho la calamidad y pobreza grande que de la nuestra se deriva en muchas personas que nos avian fiado sus haciendas, pensando tenerlas muy seguras y con solo el aprovechamiento que dellas les davamos sustentaban sus casas y familias, ansimismo muchos artífices y gente plebeya mecánica y jornalera que vivian y se sustentaban con la manufactura e industria pendientes de la contratación andan valdios, bagamundos, de lo qual subzeden y subzederan grandes daños en la Republica y en deservicio de Dios y de V. Mgd. , y este nuestro trabajo ha venido a tanto extremo que a los más de los que estamos en el (súbditos de V. Mgd. y naturales de estos Reynos) las justicias nos executan prenden y encarcelan nuestras personas por lo que debemos y venden a menos precios los pocos bienes y alajas que nos han quedado con que pensavamos poder entretenernos con alguna y muy moderada sustentación, otros que ya no pueden lo uno ni lo otro andan ausentados y por las yglesias, otros por libertar sus personas y no perder del todo su crédito (como cosa más importante al mercader) han hecho y hacen mohatras de lo que les ha quedado y de lanas y mercadurias que tenían compradas y dexan perder las señales que tenían dadas por no tener hazienda ni crédito con que acabar de pagar, por manera que el decreto de V. Mgd. (que se devio de hazer para solo remediar a los daños y excesivos intereses que los estrangeros y los otros particulares pueden aver causado y llevado en los asientos que con V. Mgd. han hecho) parece en lo de hasta aquí, que solamente ha resultado de la ruyna y perdición de los súbditos de V. Mgd. (naturales destos Reynos que estamos libres y sin culpa alguna de la causa del decreto pues vemos que los culpados contra quienes se hizo, y sus bienes, están con esta ocasión, amparados por V. Mgd. y sus ministros y handan en su corte con la misma quietud gastos y demostración que estaban antes del decreto, y cobran con rigor de sus deudores y rentas sin pagar cossa alguna a sus acreedores, haciendo burla y ludibrio de nosotros, y aunque para algún remedio de esto hemos pedido a las justicias y ministros de V. Mgd. manden que los decretados pongan de manifesto todos sus libros y papeles y den razón y quenta verdadera de el estado de sus haziendas como estaban antes y al tiempo de la suspensión y decreto de V. Mgd. hasta ahora no se ha proveido (siendo cosa tan justo y conveniente) y con esto los decretados han tenido lugar y ocasión (si lo han querido hazer) para asentar en sus libros y remover de sus papeles lo que les ha parecido para poder encubrir las haziendas que tienen fuera de lo que V. Mgd. les puede deber en tanto grado que con libertad dizen y publican que la hazienda que les sobrare conforme al decreto y toda la que más tienen la han de aver otros acreedores que tienen de sumiçion y que aquellos han de

preferir a los súbditos y naturales destos reynos porque dizen que para esto tienen justos títulos. Demas de lo dicho parece muy justo que si los decretados han de estar amparados como hasta aquí, hasta que el decreto se execute o V. Mgd aya puesto en ello, otro remedio que V. Mgd. debe mandar hacernos en esto yguales a ellos de manera que a los que somos acreedores de los decretados no nos fatiguen ni molesten los nuestros ni las justicias de V. Mgd constándoles que después de lo necesario para el moderado sustentamiento de nuestras casas y familias, no tenemos otras haziendas con que satisfacerles sino las que nos deven los decretados, pues en efecto están y se convirtieron enteramente en servicio de V. Mgd., y sin ellas no cumplieran los socorros que hizieron a V. Mgd.

Por que si esto no se haze es cosa cierta que caeremos todos en lo que disponen las últimas prematicas hechas por V. Mgd con los mercaderes que están insolventes y no pagan lo que deben y quedaremos ynavilitados para proseguir y continuar la contratación aun que después viniésemos a cobrar lo que nos deven los decretados. Suplicamos humildemente a V. Mgd sea servido con su Christianísima clemencia y misericordia apiadarse de su pueblo y súbditos naturales, poniendo con brevedad algún remedio y fin a tantos daños y calamidades como todos padezemos y podrán subzeder a todo el universal comercio de estos Reynos y rentas reales de V. Mgd. y si para mayor satisfacción de que sea verdad todo lo referido (y mucho mas que se podría decir) fuere V. Mgd. servido y de ello ay necesidad averiguación y mande V. Mgd. que las justicias ordinarias o particulares ministros de V. Mgd. de los dichos del servicio de Dios y de V. Mgd y bien universal de sus Reynos hagan con brevedad verdadera ynquisicion de todo para que sobre ella V. Mgd provea de remedio conveniente de lo qual ay grandísima necesidad.”

Document 11. AGS, CJH, 155. Memorial de Esteban Lomelin al Consejo de Hacienda, 1575

“Esteban Lomelin dize que para en quenta de trescientos y veynte y dos quentos de mrs con que socorrió a V. Mgd. por un asiento que se tomo con el en 8 de henero deste año de 75 le fueron librados quarenta mil ducados en Sevilla en el cambio de Pedro de Morga y compañía, los cuales el no acetó ny pagó, diciendo que por otra cedula de V. Mgd. se le avia mandado que acudiese a Francisco Duarte con todo el dinero que estaba a su cargo, y por razón desto se le dio otra librança sobre el dicho Francisco Duarte para que le pagase los dichos quarenta mil ducados y por virtud della se los libró en el dicho Pedro de Morga, y el se dio por pagado y otorgó carta de pago y finequito dellos al dicho Francisco Duarte y le entregó la librança que se le avia dado, y el dicho Pedro de Morga los asentó y pasó en quenta del dicho Esteban Lomelin en su cambio a donde los ha tenido y tiene a su riesgo desde principio de julio deste año, y agora después desto el asistente de la dicha ciudad de Sevilla so color de la suspensión que V. Mgd. mandó hazer de las libranças que se avían dado y no estaban pagadas, le embargo los dichos quarenta mil ducados en el dicho cambio, y porque la dicha suspensión no se podía entender por las libranças que ya estaban pagadas, y demás desto montando lo que se le debe más de un millón y medio de ducados con no haver más de cinco años que V. Mgd. mandó negociar con él, y no tener de resguardo más de veynti mil ducados de juro, no seria justo de mas de no se le pagar lo que se le queda deviendo se le embargase lo que ya tenía cobrado. Por tanto, supplica a V. Mgd. se sirva de proveer y mandar que se le alçe el dicho embargo para que se pueda valer dellos para pagar algunas deudas forçosas y proveer a si mesmo y a sus hermanos y otros deudos que le an acomodado con lo que ha socorrido a V.Mgd. los quales teniendo perdido el crédito por la dicha suspensión no tienen posibilidad de sustentar sus casas, y en esto recibirá mucha merced y justicia.”

Document 12. AGS, CJH, 154. Memorial de Andrés de Larrea, 1576.

“yo me allo tan imposibilitado no tan solamente de dar las dichas fianzas que me pide pero ni dar fianzas de la haz para curarme fuera desta cárcel de enfermedad que tengo no las he allado por lo qual padezco mucha necesidad y trabajo en dos meses que ha que estoy preso y porque no es justo que yo este preso y molestado y mis deudores sueltos y amparados sin poder cobrar dellos aunque he hecho mis diligencias y no me quieren los alcaldes de corte dar mandamiento de execución contra ellos”

Document 13. AGS, CJH, 155. Memorial de Joan de Lago al CH, 1575.

“Joan de Lago, vecino de Burgos, dio ayer a V. M. un memorial el qual a remitido al Consejo de los seys que tratan del decreto la dilación que en esto ay es nuestra total ruyna, los ministros de V. Mgd. nos executan y aprivisonan de manera que no nos podemos prevaler por la falta de nuestras haciendas y créditos que es lo más importante en la contratación. Nicolao de Grimaldo y los demás que nos deben están amparados por V. Mgd. De manera que no podemos pedirles por xusticia executando sus bienes y aprisionando sus personas sus libros y papeles tienen y poseyn como antes sin que los apremien. Los exhibian de que nos es notable daño por que husan de lo que tienen a cobrar a su voluntad y para esto están con libertad y sin ella para pagar. Por reverencia de los V.M. se apiade de nosotros y de nuestro trabajo. Remediando esto con la acostumbrada clemencia de V. Mgd. Y la brevedad es la que nos ymporta siendo asi las rentas reales de V. Mgd. No disminuyan como será siendo su contrario. Joan de Lago.”

Document 14. AGS, CJH, 155. Memorial de Sebastián López de Orozco, 1575.

“El contador Sebastián López de Horozco dize que de quatro meses antes de la suspensión tenia puestas en deposito en el Principe de Salerno seisçientas y setenta y dos mil mrs como parece por su cedula reconoçida los quales aunque él a cobrado y cobra de quien le debe mucha suma de mrs no se los a querido pagar ni parte alguna dellos diciendo no tener bienes de que podello hazer por tenerle V. Mgd. suspendidas sus libranzas, y abiendo venido a su noticia que don Rodrigo de Mendoza, caballero de Alcántara, le debía ochocientas y ochenta y quatro mil y setecientos y diez mrs, la mitad que le abía de pagar en fin del mes de abril pasado y la otra mitad en un año rogó al dicho Principe le cediese la deuda o parte alguna della o de lo que abia de aber de presente o de los por venir la parte que el quisiese para socorrer sus necesidades que el dicho don Rodrigo tuviera por bien de pagárselos a el, lo qual nunca quiso ni quiere hazer sino cobrallos él a cuya causa se las hizo embargar en el dicho don Rodrigo y el dicho Principe visto esto a dado lugar a que ayan hecho otro embargo, a V. Mgd. pido y suplico que pues por lo susodicho consta la malicia del dicho Principe y que el no pagalle lo que ansi le debe no es por falta de bienes sino por no querer se a servido de mandarle hazer pagado de lo que el dicho don Rodrigo le debe o que le pueda ejecutar y no permita que no abiendo hecho cosa indebida le detengan sin hazienda y hagan padecer necesidad y que pues ellos cobra de los que les deben no dexen de pagar a los naturales destos reynos a quien deben”

Document 15. AGS, CCGG, 309. Medio General, 5/12/1577

Fols. 3-4:

“Y juntándose a todo esto la suplicación que nos an hecho con particular ystancia sobre este mismo negocio los procuradores de estos reynos que están juntos en las Cortes que al presente celebramos en la villa de Madrid

El rey explica que los intereses que se pagaban a los banqueros, son en gran parte para pagar a quienes les prestaban el dinero a ellos.

Fol. 3

“deviesemos a los dichos ombres de negocios acabadas sus quantas de todo lo qual ellos se agraviaron diciendo haver padecido, pagado y gastado de los dineros que nos habían proveído grandes intereses a otras personas asi en las ferias y plaços destos reynos como en las de fuera de ellos en las quales les havia sido forçoso tomar a cambio y socorrerse por otras vías hordinarias y extraordinarias de muchas y gruesas cantidades de dinero para cumplir y pagar puntualmente los asientos que con ellos haviamos mandado tomar y que por ser cantidades con que asi nos habían socorrido tan gruesas y en tiempos estrechos hera muy notorio que no lo habían podido hazer con

sus propias haciendas y que así habían usado para ello de sus créditos e yndustrias con lo qual nos habían servido como factores nuestros a cuya causa les havia quedado de los dichos negocios muy moderado aprovechamiento y aún en algunos no habían tenido ninguno por ser mayores los intereses que ellos habían padecido que los que no les davamos”

El rey reconoce la importancia que tienen las ferias para el trabajo de los banqueros y para que la Corona pueda financiarse

Fols. 3-4

“los dichos ombres de negocios nos han suplicado con instancia que se hordenen las ferias destos reynos las quales queremos y avemos mandado que se agan de aquí adelante puntualmente a sus tiempos ordinarios sin que se alarguen dilaten ni prorroguen por ninguna causa siendo como esto es tan necesario al beneficio publico y para poder hacer con más crédito, reputación y comodidad las provisiones de dinero que fuere menester para el entretenimiento de nuestros exercitos y armadas y las otras expediciones que se ofrecieren y también para que los dichos ombres de negocios nos puedan mejor servir en esto y restaurar y establecer sus créditos”

En el MG de 12/1577 el rey anula el decreto de 1575 para todos los que entran en el Medio.

Fol. 11

“y por la presente damos por ninguno y de ningún valor y efecto el decreto de primero de septiembre de mil y quinientos y setenta y cinco y cédulas de que de suso se haze mención y otras qualesquier que cerca dello se ayan despachado para que no se aya de usar cosa alguna en las personas que entran y entraren según dicho es en este dicho asiento ni en sus bienes”

Document 16. IVDJ, Envío 22. Caja 33, TB 49, folio 98. Carta de Fernández de Espinosa a Mateo Vázquez, 11/08/1577.

“Mandan lo que se huviere de hacer para acabar de manera que no haya aca poderes, ocasiones ni licencia de errar en cossas tan grandes y en numero tan pocas, pues son dos negocios: Medio y encabezamiento”

Document 17. IVDJ, Envío 76. Fols. 554-557. San Lorenzo del Escorial, 7/07/1577. Minuta de carta redactada por la secretaría de Felipe II en su nombre.

“Después que me enbiastes estas consultas de lo que ha parecido para el Medio general y en lo del encabezamiento he ydo mirando y pensando con mucho cuydado en lo uno y lo otro, assi por lo que ambas cosas importan en la substancia y lo que della depende como por lo que la brevedad espera todo menester, y teniendo yo por muy dependiente el un negocio del otro...”

Document 18. AGS, CJH Libros, 42, f. 42v. Copia cédula, Madrid, 25/05/1578.

“Y mandamos hazer cierto decreto de la forma y orden como havian de ser pagos de nos de lo que les deviamos por los dichos asientos y cambios y después aviéndosenos hecho relación por los dichos hombres de negocios y por los diputados que para ello nombraron que si el dicho decreto se hubiese de ejecutar ellos quedarían perdidos y destruidos y sin ninguna hacienda para pagar sus acreedores y el trato y comercio destos reynos y los derechos reales que en ellos llevamos vendrían en mucha quiebra y disminución y suplicándosenos mandásemos tomar sobre ellos algún medio y concierto de manera que cesasen los dichos daños e inconvenientes y las dichas personas de negocios quedasen con alguna sustancia de hacienda, y hechose instancia sobre esto mismo por los embajadores de la república de Génova que para ellos nos embiaron, y por los procuradores de

Cortes destos reynos que se hallaron en las que últimamente celebramos en la villa de Madrid, mandamos tomar con algunas de las dichas personas de negocios cierto asiento y medio general en cinco de diciembre del año pasado de 1577...”.

Document 19. AGS, CJH, 164. Cédula, 31/05/1574.

“que las ferias de mayo y octubre de los años de 1572, 1573 y 1574 se hagan todas juntas desde 15 de octubre deste año de 1574 hasta 30 de noviembre en Medina y las de los años adelante a los tiempos y plazos que se acostumbra hacer que son feria de mayo desde 11 de junio hasta fin de julio, y los de feria de octubre desde 28 de octubre hasta 16 de diciembre, sin que se alarguen mas”

Document 20. AGS, Estado Génova, 1408-20. Carta de D. Juan de Idiáquez al secretario del rey Antonio Pérez, Génova, 21/11/1576.

“y escrito hemos también a su merced la instancia que esta señoría hace por que tenga fin la que se huviere de declarar sobre el decreto y si así no se hiciere creen que presto havra muchos alzados y quebrados porque parece que no se prorrogaran más los pagamentos que de una feria a otra ha prorrogado esta señoría los meses pasados”

Document 21. AGS, CJH, 151. Carta de Andrés de Cañas a Juan de Escobedo (secretario de Felipe II), 20/04/1576.

“Andrés de Cañas, vecino de Burgos suplico a V. Mg. Sea servido de aver piedad del daño tan notable que yo e los demás de aquella ciudad emos recibido con Nicolao de Grimaldo por no pagarnos lo que nos debe diciendo no poder a causa de la suspensión que V. Mg. Ha hecho de las libranzas que le tenía dadas. No solamente perdemos las haciendas que tenemos ocupadas en esto sino lo demás que nos quedaba por aber consumido muy gran parte en pagar lo que debíamos y si algo nos queda no podemos negociar con ello por tenerla ocupada en diversos reynos y diversas mercaderías y abiendonos faltado como nos falta ynstrumento principal de la contratación no podemos hacer negocio de nuevo y asi cesamos de contratar en nuestro hordinario trato que es en lanas y mercaderías con que ganamos de comer y ayudamos a la República y servimos a V. Mg. En sus rentas reales por servicio de dios se apiade V. Mg. De nuestro daño recibido con inocencia y llaneza de nuestro trato mandando seamos con brevedad pagados porque la dilación es nuestra total ruina y hasta ahora sea suplicado a V.Mg. de parte de prior y consules de Burgos por nuestro remedio viendo nuestros daños y trabajos y como cada día crecen y no lo podemos reparar nos hemos determinado de venir a hecharnos a los pies de V. Mg. Para que se apiade de nosotros y no permita vengamos a morir en las cárceles y aquella ciudad arruinarse y consumirse, pues sin trato y negociación no se puede sustentar por no llevar a otro fruto aquella tierra.”

Respuesta del secretario o del rey: “que brevemente se proveerá”